FORM 53-901F

Section 85 (1) – Securities Act (British Columbia)
(or the equivalent thereof under
Canadian Provincial Securities Legislation)

1. **REPORTING ISSUER**

Pacific Minerals Inc.
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Vancouver, British Columbia
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2. **DATE OF MATERIAL CHANGE**

October 23, 2003

3. **PRESS RELEASE**

Date of Issuance:	October 24, 2003
Place of Issuance:	Vancouver, British Columbia

4. **SUMMARY OF MATERIAL CHANGE**

Pacific Minerals Inc. (the "Company") has entered into an agreement in principle dated October 23, 2003 with Ivanhoe Mines Ltd. ("Ivanhoe") to effect a number of proposed transactions, including restructuring certain existing contractual mineral project participation arrangements (the "Existing Project Participation Arrangements") originally created pursuant to an agreement dated May 31, 2002 (the "Project Participation Agreement"), collaborating on a mineral exploration project in Mongolia and carrying out an equity financing by way of a private placement of common shares and purchase warrants of the Company. Ivanhoe is the Company's largest shareholder, holding approximately 41.5% of the Company's issued and outstanding common shares on a fully diluted basis. The transactions contemplated by the agreement in principle between Ivanhoe and the Company are "related party transactions" under Policy 5.9 of the TSX Venture Exchange (the "Exchange") and are subject to acceptance by the Exchange.

5. **FULL DESCRIPTION OF MATERIAL CHANGE**

Background

In May 2002, the Company and Ivanhoe entered into the Project Participation Agreement. Under the terms of the Project Participation Agreement, Ivanhoe subscribed, by way of private placement, for 5,100,000 units at a price of Cdn.$0.90 per unit. Each unit consisted of one common share of the Company and one share purchase warrant exercisable to purchase one common share at Cdn.$1.15 until July 2, 2004.

The Company also granted to Ivanhoe an option to earn an interest in each of the Company's 217 gold project (the "217 Project") in the Inner Mongolia region of the People's Republic of China ("PRC") and the Company's JBS platinum and palladium project (the "JBS Project") in Yunnan Province, PRC. In respect of the 217 Project, Ivanhoe has the right, exercisable at any time on or before May 31 2004, to earn a 60% participating interest in the project by completing a feasibility study no later than July 1 2006. Within 180 days of completing the feasibility study, Ivanhoe can elect to increase its interest in the 217 Project to 76.5% by arranging project financing by July 1, 2007 sufficient to take the project to commercial production. If Ivanhoe elects to earn an interest in the 217 Project, the Company's residual participating interest converts to a carried interest until the commencement of commercial production.

In respect of the JBS Project, Ivanhoe has the right, exercisable at any time on or before May 31 2004, to earn a 35% participating interest in the project by completing a feasibility study no later than July 1 2006. Within 180 days of completing the feasibility study, Ivanhoe can elect to increase its interest in the JBS Project to 50% by arranging project financing by July 1, 2007 sufficient to take the project to commercial production. If Ivanhoe elects to earn an interest in the JBS Project, the Company's residual participating interest converts to a carried interest until the commencement of commercial production.

The Project Participation Agreement also gives Ivanhoe the right (the "New Project Right") to participate in each new mineral project (a "New Project") acquired by the Company anywhere in the PRC, except Anhui Province. The New Project Right gives Ivanhoe the right, at its option, to participate equally with the Company in each New Project. Ivanhoe can elect to increase its interest in a New Project to 75% by completing a feasibility study and to 80% by arranging project financing. If Ivanhoe elects to increase its interest, the Company's residual participating interest in the New Project converts to a carried interest until the commencement of commercial production.

To date Ivanhoe has exercised the New Project Right and elected to participate in four New Projects, including the Dandong gold project (the "Dandong Project") in Liaoning Province, PRC.

Proposed Transactions

Under the terms of a letter of intent dated October 23, 2003 the Company and Ivanhoe have agreed in principle to effect the following transactions:

(a) amendments and clarifications to the Existing Project Participation Arrangements on substantially the terms described below under "New Project Participation Arrangements";

(b) the creation of a joint venture in respect of Ivanhoe's Shuteen exploration property in Mongolia (the "Shuteen Property") in which each of Ivanhoe and the Company will hold an equal participating interest;

(c) the possible creation of one or more joint ventures in respect of any mineral project acquisition opportunities in Mongolia that Ivanhoe may, from time to time, make available to the Company;

(d) the issuance to Ivanhoe of two million five hundred thousand (2,500,000) fully paid and non-assessable common shares of the Company as consideration for Ivanhoe's participation in the proposed transactions; and

(e) the cash subscription by Ivanhoe for two million five hundred thousand (2,500,000) units of the Company at a price of Cdn$1.75 per unit or the minimum price per unit permitted under the rules and policies of the Exchange, whichever is greater. Each such unit will consist of one (1) common share of the Company and one (1) purchase warrant exercisable for two (2) years to purchase an additional common share at a price of Cdn$2.20 or the minimum price per common share permitted under the rules and policies of the Exchange, whichever is greater..

New Project Participation Arrangements

The parties have agreed in principle to replace the existing Project Participation Agreement with a series of new agreements reflecting alterations to certain of the Existing Project Participation Arrangements and clarifying the respective rights and obligations of Ivanhoe and the Company in respect of those of the Existing Project Participation Arrangements that are not to be substantially altered.

In respect of each of the 217 Project, the JBS Project and the Dandong Project, Ivanhoe will relinquish any and all rights under the existing Project Participation Agreement to earn an increased participating interest in the project by completing a feasibility study and arranging project financing, and the Company will relinquish any and all rights under the existing Project Participation Agreement to enjoy a carried interest in the project. Instead, Ivanhoe and the Company will form a joint venture in respect of each such project in which each of them will hold an equal participating interest. Ivanhoe will reimburse the Company for 50% of the expenditures incurred by the Company in respect of each such project, less any expenditures in respect of the project incurred by Ivanhoe. The parties will fund joint venture expenditures in proportion to their respective interests. If either party fails to fund its proportionate share of expenditures, its interest in the joint venture will be diluted. If the Company's participating interest is diluted below 10% it will be converted into a 10% net profits interest. If Ivanhoe's participating interest is diluted below 5% it will be forfeited to the Company. The parties will also establish a twenty five kilometre joint venture area of interest around each project.

Except for its interests in the 217 Project and the Xiaohuangshan gold and copper exploration project (which is a New Project in the Inner Mongolia region that remains subject to Ivanhoe's New Project Right), the Company will not acquire any interest in any mineral property in the Inner Mongolia region and will immediately refer to Ivanhoe any opportunities that become available to the Company to acquire any mineral property interests in Inner Mongolia. Ivanhoe will make available to the Company any new mineral project opportunities in Inner Mongolia that Ivanhoe elects not to pursue. Except for its interests in the Dandong Project and any New Projects, Ivanhoe will not acquire any interest in any mineral property in Liaoning Province or Anhui Province and will immediately refer to the Company any opportunities that become available to Ivanhoe to acquire any mineral property interests in Liaoning Province or Anhui Province. The Company will make available to Ivanhoe any new mineral project opportunities in Liaoning Province or Anhui Province that the Company elects not to pursue.

Ivanhoe's New Project Right under the existing Project Participation Agreement will be amended such that New Projects, if any, acquired by the Company in Liaoning Province will no longer be subject to its terms. Each New Project in which Ivanhoe elects to participate will have a twenty five kilometre area of interest. The parties will fund joint venture expenditures in proportion to their respective interests. If either party fails to fund its proportionate share of expenditures, its interest in the joint venture will be diluted. If the Company's participating interest is diluted below 10% it will be converted into a 10% net profits interest. If Ivanhoe's participating interest is diluted below 5% it will be forfeited to the Company.

Purpose and Business Reasons

Although the Existing Project Participation Arrangements offer a number of key advantages to the Company, the proposed restructuring of those arrangements contemplated by the Company's agreement in principle with Ivanhoe improve those advantages, particularly in relation to the 217 Project and the JBS Project. Under the Existing Project Participation Arrangements, the Company's participating interest in those projects would become a carried interest if and when Ivanhoe exercised its option, thereby relieving the Company of potentially onerous financial obligations while allowing the Company to retain a minority interest in each project at no incremental cost. The disadvantage to the Company of the Existing Project Participation Arrangements as they relate to the 217 Project and the JBS Project is that they create an unintentional disincentive for the Company to make additional project expenditures pending the exercise or expiry of Ivanhoe's participation option on the projects. This has the effect of delaying the advancement of these projects.

By having Ivanhoe relinquish its option and immediately creating a joint venture in respect of the 217 Project and the JBS Project in which both the Company and Ivanhoe hold equal participating interests and Ivanhoe reimburses the Company for 50 % of the expenditures incurred to date, any disincentive to incurring the expenditures necessary to rapidly bring the projects forward is removed. These new arrangements also give the Company a greater degree of flexibility with respect to its continuing participation in each project. Depending on the success of the joint venture's exploration and development activities and the Company's financial position at any given time, the Company can elect to maintain its participating interest or forego contributing to project expenditures and allow its participating interest in the joint venture to be diluted. The Company believes that, if either or both of the 217 Project and the JBS Project are eventually developed as mines and taken into commercial production, the Company will become entitled to participate earlier in project cash flow than it would have been under the Existing Project Participation Arrangements.

The Company also believes that restructuring the Existing Project Participation Arrangements will strengthen its strategic relationship with Ivanhoe and offer a greater range of opportunities for the Company to acquire interests in new projects in China and elsewhere. The Company's proposed joint venture with Ivanhoe in respect of the Shuteen property will allow the Company to geographically diversify into Mongolia. In China, Ivanhoe's New Project Right will continue to give the Company leverage to seek out and retain interests in a greater number of new project opportunities than would otherwise be possible.

Related Party Interests

Ivanhoe beneficially owns 13,697,112 common shares of the Company and warrants exercisable to purchase an additional 7,100,000 common shares, representing approximately 41.5% of the issued and outstanding common shares of the Company on a fully diluted basis. Accordingly, Ivanhoe is a "related party" of the Company and the transactions contemplated by the agreement in principle between Ivanhoe and the Company are "related party transactions" under Policy 5.9 of the Exchange.

If the transactions contemplated by the agreement in principle are implemented, Ivanhoe will immediately acquire 50% of the Company's interest in the 217 Project, the JBS Project and the Dandong Project and a covenant by the Company not to compete with Ivanhoe for new mineral projects in the Inner Mongolia region of the PRC. Ivanhoe will also receive 2,500,000 fully paid common shares of the Company and will purchase, by way of a private placement, 2,500,000 units of the Company at a price of Cdn$1.75 per unit. Each such unit will consist of one common share and one purchase warrant exercisable for two years to purchase an additional common share at a price of Cdn$2.20 or the minimum price per common share permitted under the rules and policies of the Exchange, whichever is greater.

Exchange Policy 5.9 Matters

Independent Committee

Because the transactions contemplated by the agreement in principle with Ivanhoe are "related party transactions", the Company's board of directors appointed a committee of independent directors consisting of Pierre Lebel and Ian He (the "Committee") to deal with Ivanhoe at arm's length.

The Committee's role was to negotiate the proposed terms with Ivanhoe, to consider whether the proposal was in the best interests of the Company and fair to its minority shareholders, and to make a recommendation to the Company's board of directors.

The Committee studied the advantages and disadvantages of the Company's existing project participation arrangements with Ivanhoe, actively negotiated the terms of the proposed transactions with representatives of Ivanhoe, and considered carefully the advisability of the Company entering into the transactions contemplated by the agreement in principle.

The Committee was assisted throughout its deliberations by independent legal and financial advisers. While no formal valuation was required or obtained, the Committee had the benefit of independent financial advice on the transaction.

Having concluded that the proposed transactions are in the best interests of the Company and fair to its minority shareholders, the Committee recommended to the board of directors of the Company that the Company execute the agreement in principle with Ivanhoe.

It is anticipated that the Committee will also be involved in reviewing the definitive agreements that are to be negotiated between Ivanhoe and the Company to implement the transactions contemplated by the agreement in principle and in making recommendations to the Company's board of directors concerning the approval of such agreements.

Formal Valuation

As described above, if the proposed transactions with Ivanhoe are completed, the Company will receive both cash payments and less readily measurable benefits resulting from the restructuring of its arrangements with Ivanhoe. In return, the Company will issue shares to Ivanhoe at specified values, and also grant it certain rights the value of which is not readily determinable. On the basis of its own analysis and advice received from an independent financial adviser, the board of directors of the Company has made a good faith determination that neither the fair market value of the subject matter of the transactions contemplated by the agreement in principle nor the fair market value of the consideration for such transactions is greater than 25% of the Company's market capitalization, as that term is defined in the Exchange's Policy 5.9. On that basis, the transactions contemplated by the agreement in principle are exempt from the formal valuation requirements of the Exchange's Policy 5.9 that would otherwise apply to a related party transaction.

Minority Approval

For the same reason, the transactions contemplated by the agreement in principle are also exempt from the minority approval requirements of the Exchange's Policy 5.9 that would otherwise apply to a related party transaction.

Regulatory Approval

The transactions contemplated by the agreement in principle between the Company and Ivanhoe are subject to prior acceptance by the Exchange and fulfilment of any conditions of such acceptance that may be imposed by the Exchange.

6. RELIANCE ON SECTION 85 (2) OF THE ACT

Not applicable

7. OMITTED INFORMATION

Not applicable

SENIOR OFFICER

For further information please contact:

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8. STATEMENT OF SENIOR OFFICER

The foregoing accurately discloses the material change referred to herein.

DATED at Vancouver, British Columbia this 3rd day of November, 2003.

PACIFIC MINERALS INC.

Per: "Beverly Bartlett"
Beverly Bartlett
Corporate Secretary